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INTRODUCTION

The Wayne County Friend of the Court/Prosecuting Attorney (FOC/PA) had a combination contract with the Department of Human Services (DHS) to establish paternity, obtain support orders for all cases, and enforce all orders of support over which the Wayne County FOC/PA had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the DHS. Wayne County FOC/PA billed DHS monthly under the actual cost reimbursement billing method. DHS reimbursed Wayne County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Wayne County FOC/PA for the period October 1, 2003 through September 30, 2004. In addition, we performed a limited review of the central services costs for fiscal year 2003. We performed the audit tests that we determined were necessary to determine if the costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

Based on our audit, we concluded that Wayne County FOC/PA has documentation to support the billings submitted to DHS. However, Wayne County FOC/PA submitted multiple revisions of its billings because Wayne County does not close its books timely. In addition, Wayne County FOC/PA did not include all salaries charged to the IV-D program in the FOC/PA business unit, did not submit a Position Expense Report (PER) with their billings, and did not include all administrative costs in the central services cost plan.

For fiscal year 2003 central services costs were under paid by \$648,474 due to a change in the cost plan. Wayne County FOC/PA submitted revised Statements of Expenditures dated 12/20/04 of which only the 4th quarter expenditures were paid due to the time limitations dictated by Federal Office of Management and Budget Circular A-87 (*Cost Principles for State and Local and Indian Tribal Governments.*).

Our report recommends that the DHS Office of Child Support (OCS) seek approval from the United States Department of Health and Human Services to reimburse Wayne County FOC/PA for the additional \$648,474 for central services costs for fiscal year 2003.

WAYNE COUNTY FOC/PA RESPONSE

Wayne County FOC/PA has reviewed the findings and recommendations included in this report. They indicated in a letter dated February 28, 2007 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

General Ledger

1. The books and records of Wayne County are not closed in a timely manner. Since Wayne County FOC/PA is a component unit of Wayne County, untimely closing results in the Wayne County FOC/PA billings to DHS being untimely and frequently revised. The general ledger remains open until the single audit is completed and adjustments are made, which can leave the books open for 2 years or more. Leaving the books open for 2 years increases the risk of inappropriate entries being made.

WE RECOMMEND that OCS work with Wayne County FOC/PA to ensure more timely submission of their billings to DHS.

FY2003-Cost Plan Revisions

2. Wayne County FOC/PA billed but was not paid for \$648,474 of costs in FY2003 related to revised billings submitted to OCS on 12/20/04. The revised billings were submitted by Wayne County FOC because they had developed a new indirect cost plan for the Third Circuit Court. The original billings had been prepared using an indirect cost distribution method that Wayne County had used for many years. The changes between the old method and the new indirect cost plan resulted in a reduction in personnel and increases in other line items. The net result was an increase of \$1,414,598 in billable costs. OCS only approved and paid the July through September revised billings. The other 3 quarters were not approved and paid due only to the time restrictions dictated by Circular A-87, 45 CFR 95.515. Wayne County FOC/PA submission of the indirect cost plan to OCS did not allow enough time to review and approve the plan within the time frames of Circular A-87. Circular A-87, CFR 95.7 states that additional costs can be considered when there is a change in the cost plan only if there is an audit exception, and the audit exception receives federal approval.

WE RECOMMEND that OCS accept the cost as billed, and seek approval from the Department of Health and Human Services to reimburse Wayne FOC/PA \$648,474.

Salaries - General Ledger

3. The General Ledger for Wayne County FOC/PA business unit (13240) does not include all salaries charged to the FOC program. Several manual adjustments are made monthly to include or exclude all employees' time when they are performing IV-D functions. These manual adjustments increase the risk of errors in reporting expenditures.

WE RECOMMEND that OCS ensure that Wayne County FOC/PA properly documents all employees' time charged to the contract by program and activity (business unit 13240) .

Position Expense Report

4. The Wayne County FOC/PA did not provide a detailed list of employees' names, and salaries on the Position Expense Report (PER) as required by FOC Letter 99-021. The FOC letter states that the county is to list the names of the employees, positions and salary cost incurred for the month on the PER, and submit it with the monthly billing.

WE RECOMMEND that OCS ensure that Wayne County FOC/PA submits the PER with their monthly billings.

Central Services - Cost Allocation Plan

5. The Wayne County FOC/PA cost plan did not include all indirect cost associated with the IV-D program. The Central Services Costs line item includes cost plan amounts and allocated costs from other business units who directly charge time to the IV-D program. According to Circular A-87, CFR 95.19, all administrative costs (direct and indirect) are normally charged through the cost allocation plan. Including costs outside of the cost plan increases the risk of costs being charged more than once.

WE RECOMMEND that OCS instruct Wayne County FOC/PA to include all administrative costs in the cost plan.